

AR51

CAMFLO MINES LIMITED

Annual Report

1973





This photographic copy of an oil painting of the surface plant of Camflo Mines Limited was done by a local Canadian artist, Ma Reine. This painting was done after the completion of the new headframe and hoisting facilities.

CAMFLO MINES LIMITED

REVIEW IN BRIEF

	1973	1972
Gross Value of Bullion Production	\$10,548,373	\$5,982,850
Ounces Gold Recovered	98,228	100,101
Average Gold Price Received Per Ounce	\$ 107.39	\$ 59.77
Working Capital at Year End	\$ 4,570,969	\$2,271,503
Cash Flow From Operations	\$ 5,061,361	\$2,448,985
Per Share	\$ 1.48	\$ 0.72
Net Income	\$ 4,492,676	*\$2,051,377
Per Share	\$ 1.31	*\$ 0.60
Dividends Paid	\$ 1,705,554	\$ 682,221
Per Share	\$ 0.50	\$ 0.20

*Before extraordinary item

Weighing gold bars at the Camflo Mines refinery. Each bar, usually containing over 700 troy ounces and worth over \$100,000 at recent prices, is the final product from the treatment of nearly 3,000 tons of ore.



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CAMFLO MINES LIMITED



DIRECTORS

H. BENSON, Montreal, Quebec
R. F. ELLIOTT, Q.C., Montreal, Quebec
R. E. FASKEN, Mississauga, Ontario
B. A. O'BRIEN, Old Chelsea, Quebec
G. T. SMITH, Toronto, Ontario
R. M. SMITH, Oakville, Ontario
A. W. STOLLERY, Toronto, Ontario

OFFICERS

A. W. STOLLERY, *Chairman*
G. T. SMITH, *President*
R. E. FASKEN, *Vice-President*
R. M. SMITH, *Vice-President of Operations*
C. M. MASTERMAN, *Secretary*
K. E. ELRICK, *Treasurer*

CORPORATE DATA

Executive Office Suite 3914, Royal Trust Tower
and Head Office Toronto Dominion Centre
Toronto, Ontario M5K 1K2

Bankers THE TORONTO DOMINION BANK
Toronto, Ontario

Registrar and THE ROYAL TRUST COMPANY
Transfer Agent Toronto, Ottawa, Montreal

Share Listing TORONTO STOCK EXCHANGE
CANADIAN STOCK EXCHANGE

AUDITORS

THORNE GUNN & Co.
Toronto, Ontario

MINE STAFF

Mine Manager, DR. B. K. MEIKLE
Assistant Mine Manager, A. MAKILA
Chief Engineer, G. FLEMING
Mine Superintendent, A. MAILLOUX
Mill Superintendent, R. BOURGEOIS
Mechanical Superintendent, D. LALONDE
Mine Accountant, F. VODOPIVEC

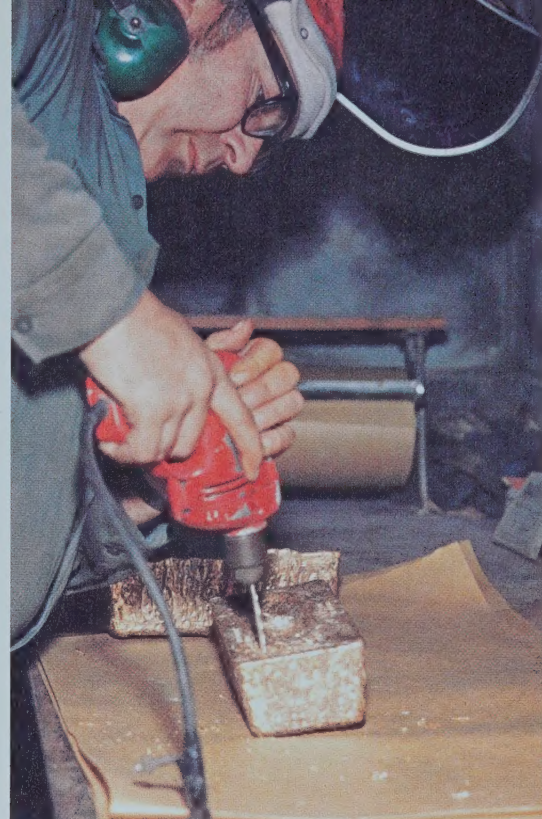
CONSULTANT

S. C. BROWN, P.Eng., Havelock, Ontario

MINE OFFICE

Box 640, Malartic, Quebec





The sequence of pictures above and alongside depict the most spectacular phase of the gold mining treatment process. Gold precipitate, which looks like black mud, is mixed with flux and heated in the oil-fired oval-shaped tilting furnace. When the charge is completely fluid, the molten contents are poured into a mold. After weighing, the gold bars are drilled at alternate corners for samples to determine purity. They are later further refined at the Royal Canadian Mint, Ottawa, Ontario.

DIRECTORS' REPORT TO SHAREHOLDERS

Net income in 1973 reached a record \$4,492,676 equal to \$1.31 per share, more than double the \$2,051,377 or 60 cents per share earned in 1972. The 1973 financial results are entirely due to the substantially higher prices received for gold during the year which averaged \$107.39 per ounce compared with \$59.77 received in 1972.

The strong upsurge in gold prices during 1973, from a level around \$75 per ounce at the beginning of the year to approximately \$145 at the end of 1973, continued into the current period, attaining a high of \$179.50 per ounce on April 3, 1974. This uptrend, although punctuated by short term and often erratic fluctuations, indicates the probability of a higher average price during 1974 than that recorded during the previous year.

It is interesting to note that the average price received for the Company's 1973 fourth quarter

gold production was approximately \$128 per ounce.

Among the significant highlights of 1973 were the appreciable increase in total ore reserves — as presently defined — to 2,631,350 tons with an estimated average recoverable grade of 0.22 ounces of gold per ton or the equivalent of nearly 600,000 ounces of gold; the decision to expand the rated capacity of the mill from 1,000 tons to 1,250 tons per day; the scheduled deepening of the main shaft a further 600 feet below the present bottom at 2,750 feet; the installation during 1973 of a larger surface hoist with the capability of mining to a depth of 5,000 feet; and the increase in the semi-annual dividend rate to 20¢ per share which, together with extra payments made during 1973, resulted in a total disbursement of 50¢ per share in that year.

It is also appropriate to record that mine operating costs increased sharply during the year

to \$7.55 per ton and a further rise in the unit cost can be expected in 1974, reaching a level of close to \$9.25 per ton. These increases are primarily attributable to higher wages, inflationary trend in the prices for supplies and services, and the large amount of preliminary development work being carried out in connection with the new diorite ore zones. The expansion in the milling rate, scheduled to become effective in 1975, should reduce the rate of increased unit costs experienced in 1973 and realistically envisaged for 1974.

Additionally, there is the inevitably higher provision for income taxes arising from the improvement in earnings achieved during the year and anticipated for 1974 and succeeding fiscal periods. The provision for income taxes is based on income and expense as reported in the Statement of Income. To the extent that elements of income and expense are recognized in different time periods for tax purposes, the related payable and deferred taxes are reflected in the Balance Sheet.

Financial

Value of bullion production in 1973 was \$10,548,373 from the recovery of 98,228 ounces of gold. This compares with \$5,982,850 and 100,101 ounces recovered in 1972. As previously stated, net income increased more than 100% from \$2,051,377 equal to 60 cents per share in 1972 to \$4,492,676 or \$1.31 per share in 1973. The 1972 figures are before an extraordinary item of \$125,000 credited to income in that year.

Cash flow was also appreciably higher at \$5,061,361 equal to \$1.48 per share compared with \$2,448,985 or 72 cents per share in 1972.

A regular semi-annual dividend of 10 cents per share, together with an extra dividend of 10 cents per share (a total of 20 cents) was paid on June 29, 1973 to shareholders of record June 14, 1973. The regular semi-annual dividend rate of 10 cents was increased to 20 cents per share with the dividend payment made on December 21, 1973 which was also accompanied by an extra dividend of 10 cents, to shareholders of record December 3, 1973. The aggregate amount of dividends paid during the year was 50 cents per share for a total disbursement of \$1,705,554 and

a cumulative total of dividends paid to date of \$4,603,495.

Operations and Ore Reserves

During 1973 the mill treated a total of 382,753 tons for a daily average of 1,049 tons with a further 6,869 tons of coarse ore drawn from the surface stockpile which was milled at the nearby custom facility of Malartic Goldfields Limited. Both the tonnage treated and the average recovered grade of 0.251 ounces per ton was moderately above the forecast production schedule and estimated grade.

Although the grade of ore mined to date has consistently been above the stated ore reserve average, the increase in 1973 was attributable to a higher grade zone mined above the 1800-ft. level. The appended Mine Manager's Report refers to this, noting that such high grade occurrences are difficult to predict and similar zones may exist elsewhere in the mine.

The mill recovery rate of 96.3% was minimally lower than the 96.6% achieved in 1972 and was due in part to the inclusion of some diorite ore. It is expected that further operating experience in the treatment of the diorite ore will result in improved recoveries.

The production schedule for 1974 envisages the milling of some 380,000 tons of ore with an average recovered grade of 0.245 ounces per ton and a resultant recovery of 93,000 ounces of gold.

The construction of the new steel headframe and installation of the larger surface hoist with six-ton skips will improve hoisting capacity and provide the capability of mining to a depth of 5,000 feet. In addition to other construction projects and equipment additions, moving of the crusher to the new station just below the 2400-ft. level was completed during last December. Preparations for the deepening of the shaft a further 600 feet to 3,350 feet to open up an additional three levels are now in progress with actual sinking scheduled to commence within four months.

Coincident with this expanded underground program and the steadily improving ore reserve position, the mill will be expanded to a rated capacity of 1,250 tons daily. This expanded



The surface plant of Camflo Mines Limited, with the main mill building in the centre. This photograph was taken late in 1973 following the completion of the new headframe and hoisting facilities shown at the extreme left.

capacity is expected to become available early in 1975.

The new diorite ore zone which was initially discovered during November, 1972 has demonstrated very important tonnage implications from the work completed to date which has been chiefly concentrated between the 1500 foot and the 2400 foot levels.

Development of this new ore zone received major priority during 1973 and while the tonnage outlined to date has averaged 0.20 ounces of gold per ton, there has been a significant increase in the grade at depth. The possibilities for finding additional higher grade ore on the deeper levels appear favourable. The new diorite ore zone is east of the main porphyry body.

The increase in ore reserves during 1973 to an all-time high of 2,631,350 tons was clearly one of the important developments of the year. With the higher prices being received for gold, it has been practical and economical to lower the cut-off grade and include some low grade porphyry ore which is now profitable. This is reflected in the

slightly lower estimated average recoverable grade of 0.220 ounces per ton after allowance for 10% dilution.

The interesting observation is the net increase of 384,350 tons of ore to reserves after the milling of 389,622 tons during the year, which has resulted in the largest forward ore position in the history of the mine. From the commencement of commercial production in May, 1965 to the end of 1973 the mine has produced 3,073,615 tons of ore with an average recovered grade of 0.251 ounces per ton for a total production of 771,404.6 ounces of gold.

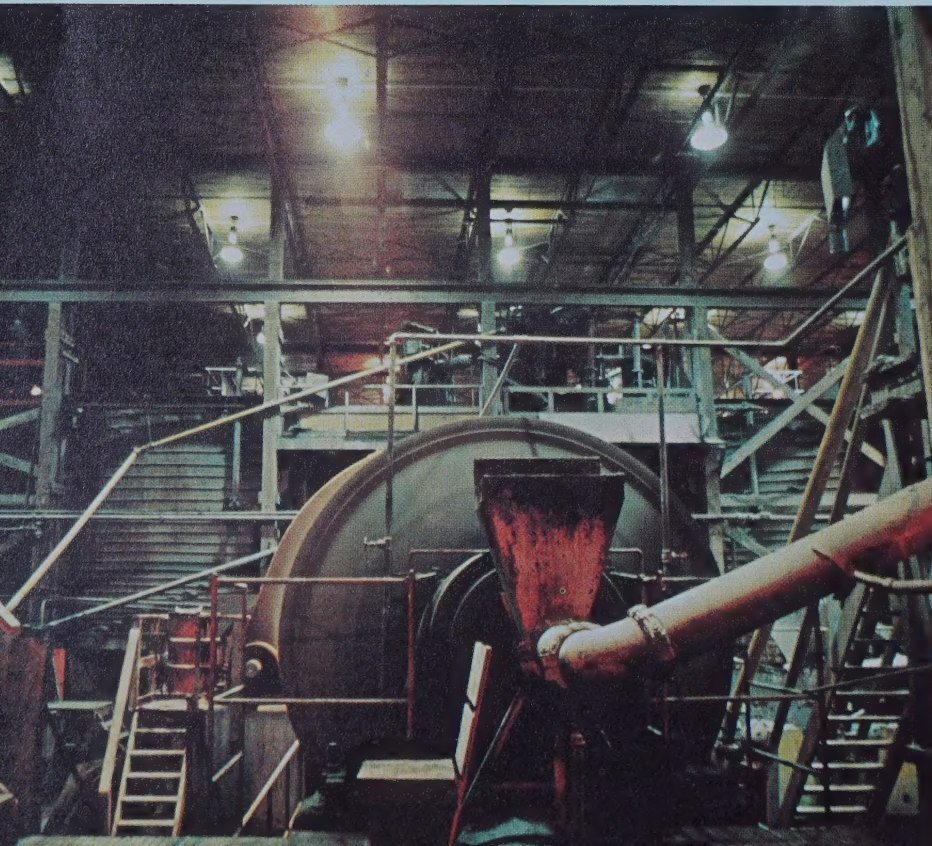
Deepening of the main shaft by a further 600 feet from the present bottom at 2,750 feet to 3,350 feet initially to open three new levels, together with the tonnage potential of the new diorite zone which is east of the main porphyry zone, provides the very attractive possibility of appreciably increasing the presently estimated reserves which are adequate for 7 years at the present rate of extraction.

While the exploration program scheduled for



LEFT: This is a view of the filtering section of the Camflo mill.

RIGHT: Mine employees working on equipment in the grinding section of the mill.



LEFT: A view of the grinding section where rock, initially crushed underground, is finally reduced to the consistency of a fine powder.

the Norlartic property of Willroy Mines Limited adjoining to the east of the Camflo mine has not yet commenced, the agreement entered into with Willroy in 1972 remains in good standing. It was the fortuitous discovery of the new diorite ore zone east of the main porphyry while driving on the 2250 foot level toward the Willroy boundary — and the priority of developing this new zone — that precluded the continuation of the heading towards the Willroy property boundary. This program will, of course, be carried out as soon as practicable.

Your Company continues its policy of examining various property submissions and other general outside mining exploration ventures. However, apart from a modest joint venture program in New Brunswick, the Company's principal outside mining exploration during 1973 was concentrated on the gold property of Orofino Mines Limited, located in Horwood and Silk Townships, Sudbury Mining Division, Ontario. This undertaking is described in the following summary:

Orofino Option

Under the terms of the agreement entered into during late 1973 with Orofino Mines Limited (previously outlined in your Company's quarterly report to shareholders dated November 8, 1973), Camflo received the exclusive right to explore and develop the Orofino gold property and, if found to be viable, the continuing right to elect to bring the property into commercial production at a rate of not less than 500 tons per day.

The agreement generally provided for the carrying out of certain additional exploration, including a feasibility study, for a total expenditure of \$50,000 by March 31, 1974 to maintain the option and the right to elect by June 30, 1974, to bring the property into commercial production by June 30, 1977. The time for the exercise of the latter right has been extended to September 30, 1974.

If the Company elects to bring the property into production, it will be required to pay to Orofino an annual fee of \$20,000, up to and until production is achieved. In the event the property is brought to production, Camflo will be entitled to recover all of its expenditures, including the costs of plant construction, interest payments,

etc., from first profits, thereafter any subsequent profits would be apportioned as to two-thirds to Camflo and one-third to Orofino.

Expenditures incurred by your Company to December 31, 1973 in connection with this option totalled \$28,443. This included some \$9,500 in necessary road construction, etc., to provide proper access to the property, a limited geophysical survey and approximately 2,000 feet of diamond drilling which was completed by the end of the year.

Subsequently, during the first three months of 1974 a further approximate 7,000 feet of diamond drilling was carried out together with a preliminary feasibility study and a re-evaluation of the previously estimated drill indicated reserves, based on extensive surface drilling and some underground work on two levels.

The exploration carried out by your Company was essentially directed toward finding the faulted extension of the Orofino ore zones east of the known fault contained in the mine workings. To date, no new ore has been found. The revised estimate placed the total drill indicated but not proven reserves at approximately 600,000 tons of an average grade of 0.28 ounces of gold per ton. The feasibility study determined that it would be necessary to establish a minimum of 1,000,000 tons of comparable grade down to the 1,000 foot horizon.

A limited program of additional diamond drilling will be carried out, the results of which will provide a basis for evaluating any further work.

Natural Gas Division

During the year, your Company entered into a farmout agreement with Voyageur Petroleum Limited to participate in the drilling of 35 exploratory gas wells in the Holden and Hamilton Lake areas, east-central Alberta. Voyageur Petroleum, the operator of the project, drilled the wells, 25 of which were successfully completed as gas wells (14 in Holden and six in Hamilton Lake). The remaining 15 wells were abandoned.

As a result of its contribution of 40% of the drilling expenditures, your Company has now earned a 20% net working interest in these 20 successful gas wells and the approximate 120,000

gross acres involved in this project. The Company's 40% share of expenditures incurred to December 31, 1973 to earn this 20% net working interest amounted to \$604,637.

In 1974 one additional well is planned to be drilled and four of the earlier wells are to be connected to the Holden gathering system to produce 8 million cubic feet per day, 1.6 million cubic feet being the net to Camflo. The Holden acreage has the potential for increasing production substantially with further drilling and development.

The success ratio of the Holden wells to date has been 50% with each producing well having reserves estimated at 5.5 billion cubic feet. There are pipeline and compressor facilities already installed in the Holden area. Some of the Hamilton wells could be put into production late in 1974.

General

One of the notable aspects of your Company's financial results for 1973 was the \$2,299,466

increase in working capital, reaching \$4,570,969 at year end, approximately double that at the previous year end. Notwithstanding the industry-wide trend toward sharply higher operating costs, the Company has substantial reason to anticipate that 1974 will be another very profitable period, assuming the continuation of buoyant world gold prices at levels well above the average of \$107.39 received during the past year.

It is a privilege to acknowledge, on behalf of the Board and the shareholders, the contribution made by all Company employees. Their combined skills and loyal efforts have undoubtedly played an important role in the Company's excellent performance both in actual operating experience and outlook for the future.

On behalf of the Board of Directors,

"A. W. STOLLERY"
Chairman

"G. T. SMITH"
President

Toronto, Ontario,
April 30, 1974.

This picture shows the new steel headframe which was installed during August, 1973 and with the new surface hoist and six-ton skips provide the capability of mining to a depth of nearly one mile below surface.



CAMFLO MINES LIMITED

(Incorporated under the laws of Ontario)



REPORT OF THE MINE MANAGER

February 21, 1974.

To the Chairman of the Board, President and Directors:

The following report details operations of the company's mine in the Malartic area, Quebec, for the year ended December 31st, 1973, together with comparative statistics for prior years, where applicable.

Summary:

During the year 98,228 ounces of gold worth \$10,548,000 were produced.

An event of major importance was the development of several new diorite ore bodies between the 1500 and 2400 levels. The inclusion of this ore, and low grade porphyry ore which has now become economical to mine, has increased the ore reserves considerably.

Mine labour rates in the area increased sharply, as did the cost of services and supplies. These factors, the intensive development programme in the new diorite ore and the extra cost of mining at greater depths resulted in a 20% increase in mining costs.

Production:

The mill treated 382,753 tons, an average of 1,049 tons per day, and the recovery was 96.3%. In addition 6,869 tons of coarse ore from the surface stockpile were milled at Malartic Goldfields. The recovered grade of the total 389,622 tons was 0.251.

	1973	1972	1971
Tons of Ore Milled	389,622	380,682	374,580
Average recovered grade	0.251 oz/ton	0.263 oz/ton	0.243 oz/ton
Ounces produced	98,228	100,101	91,684

Mine Operating Costs:

	1973		1972	
	Total Cost	Cost per Ton Milled	Total Cost	Cost per Ton Milled
Development	\$ 263,463	\$ 0.676	\$ 133,591	\$ 0.351
Mining	1,487,322	3.817	1,293,341	3.397
Milling	691,930	1.776	559,306	1.469
General	446,136	1.145	362,346	0.952
Marketing	53,818	0.138	37,530	0.099
TOTAL	\$2,942,669	\$ 7.552	\$2,386,114	\$ 6.268

Summary of Stope Extraction by Levels:

Level	Tonnage	Oz/ton
750- 900	7,549	0.204
900-1100	45,456	0.186
1100-1300	90,579	0.243
1300-1500	75,717	0.249
1500-1650	44,638	0.214
1650-1800	40,539	0.449
1800-1950	55,079	0.282
1950-2100	19,365	0.146
2100-2250	7,572	0.135
2250-2400	2,098	0.085
2400-2550	1,030	0.125

Mine Development:

Mine development in 1973 was concentrated almost entirely on the new diorite ore first discovered in November, 1972. Long drifts to the east of the porphyry ore body were driven on the 1100, 1300, 1500, 1650, 1800, 2100, 2250 and 2400 levels. These were joined by raises to provide ventilation and access. One diorite stope was started on the 1650 level and another on the 2100. Results to date have been very satisfactory.

	1973	1972	1971
Feet of drifting and crosscutting	7,621	5,737	1,994
Feet of raising	1,718	1,171	2,337
Feet of diamond drilling	21,771	18,156	18,287
Stope preparation — Feet	3,956	5,823	5,059
— Tons	25,321	24,359	39,438

Ore Reserves:

Total proven and indicated ore reserves, including a 10% allowance for dilution, are 2,631,350 tons of 0.220 ounces of gold per ton.

This is an increase of 384,350 tons after the milling of 389,622 tons during the year. The grade of the ore reserves decreased as some low grade porphyry ore which is profitable to mine at the higher price of gold has been included, and the grade of the new diorite ore outlined to date has only averaged 0.200 ounces of gold per ton. There has been a marked increase in the grade of the diorite ore with depth, and prospects for finding additional higher grade ore on the deeper levels appear excellent.

Details of the reserves are as follows:

	Tons At Year end 1973	Tons At Year end 1972	Tons At Year end 1971
Broken Ore Underground	175,210	210,593	264,077
Stockpile Ore	2,367	5,766	3,774
Total Broken Ore	177,577	216,309	267,851
Drilled Off Ore	352,973	285,392	258,895
Total Broken and Drilled Off	530,550	501,701	526,746
Broken and Proven — Tons	1,822,450	1,559,000	1,460,000
— Oz/Ton	0.234	0.238	0.244
Indicated — Tons	808,900	688,000	486,460
— Oz/Ton	0.187	0.216	0.250
Total Proven — Tons	2,631,350	2,247,000	1,946,465
and Indicated — Oz/Ton	0.220	0.231	0.245

Note — The tonnage includes a 10% dilution allowance and the grades shown are for the estimated recoverable gold. The grade of the ore mined to date has consistently been slightly higher than the grade of the reserves. In 1973 this was partly due to the unexpected richness of a large high grade ore body above the 1800 level. Such occurrences are difficult to predict, and similar zones may exist elsewhere.

Construction and Equipment Additions:

In August a larger surface hoist was put into operation with a steel headframe and six ton skips. This now provides the capability of mining to a depth of 5,000'.

An improved dust collection system was installed in the assay office and at the crusher on the 2,000 level.

CAMFLO MINES LIMITED



In December the crusher was moved from the 1400 to the 2475 level.

A second boiler and a large high pressure air compressor were installed at the mill.

General:

Preparations to deepen the main shaft 600' to 3,350' are underway, and the actual sinking will be started next fall.

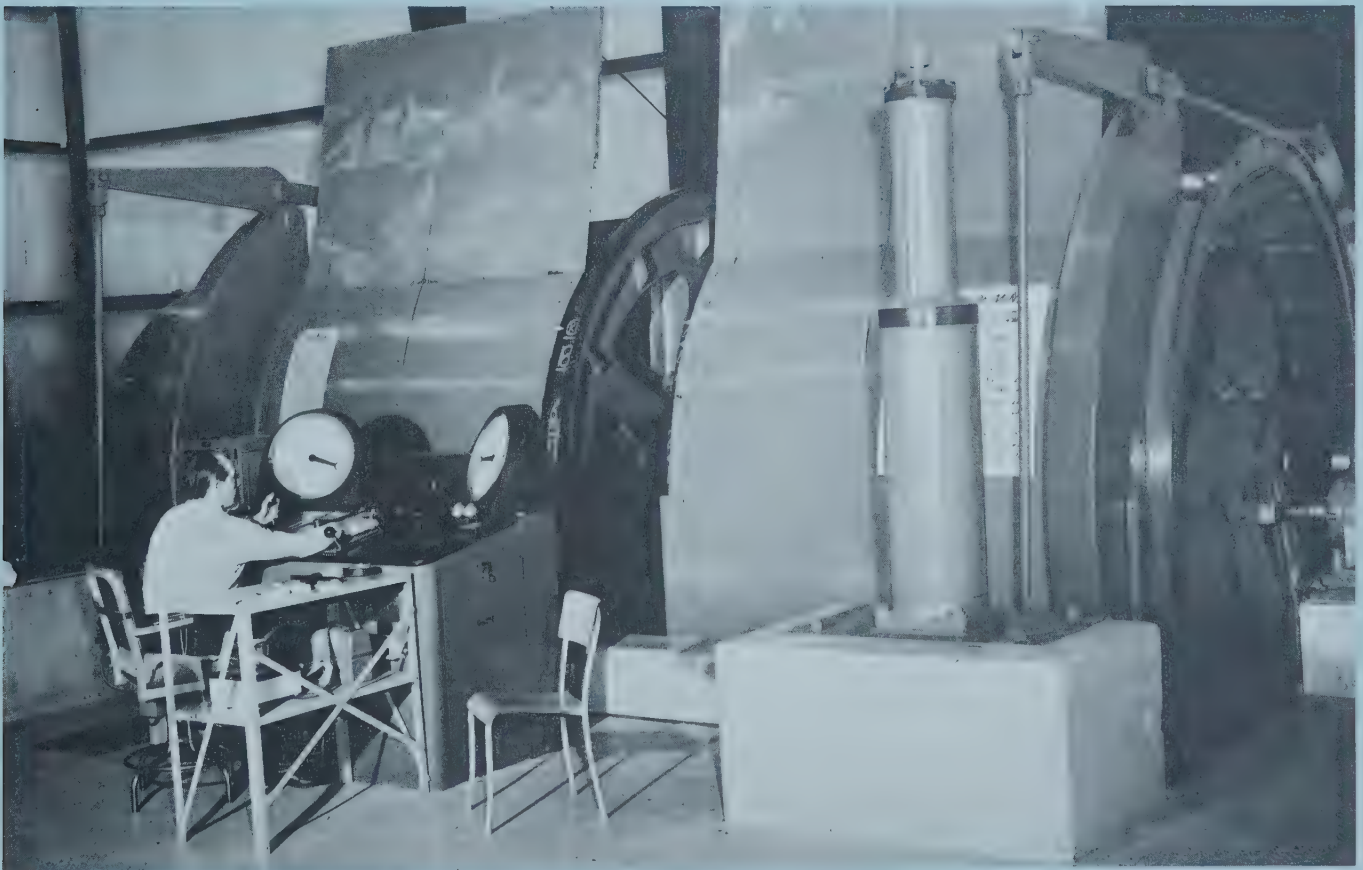
It has been decided to expand the mill capacity to 1,250 tons per day and this work should be completed in early 1975.

The diligent and efficient work of the 130 employees is very much appreciated.

Respectfully submitted,

BRIAN K. MEIKLE, Ph.D.,
Mine Manager.

The new large double-drum hoisting equipment which was installed during 1973 provides ample hoisting capability for the shaft deepening program scheduled for 1974 to open up three additional levels and also meet the additional hoisting requirements for the expansion of the milling capacity to 1,250 tons per day.



BALANCE SHEET — DECEMBER 31, 1973

(with comparative figures at December 31, 1972)

ASSETS

CURRENT ASSETS

Cash and short term deposits
Bullion, at net realizable value
Share subscriptions receivable (note 4)
Accounts receivable
Ore stockpile, at net realizable value
Supplies, at cost
Prepaid expenses and deposits

INVESTMENTS, at cost
(quoted market value 1973, \$1,206,000; 1972, \$1,050,000)

FIXED ASSETS, at cost (note 1)

Buildings and equipment
Less accumulated depreciation

Mining property

OTHER ASSETS AND DEFERRED EXPENDITURES

Mortgages receivable from employees
Preproduction expenditures less amortization (note 1)
Deferred development and exploration expenditures less amortization (note 1)
Deferred outside exploration expenditures (note 2)

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities
Taxes payable

PROVISION FOR TERMINATION OF EMPLOYMENT

DEFERRED INCOME TAXES (note 3)

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)

Authorized — 5,000,000 shares, par value \$1 each
Issued — 3,420,107 shares (1972, 3,411,107 shares)
Discount thereon (net)

RETAINED EARNINGS

Contingent liability (note 5)

CAMFLO MINES LIMITED

(Incorporated under the laws of Ontario)



AUDITORS' REPORT

1973	1972
\$ 3,203,103	\$2,004,077
2,416,092	1,026,539
49,500	
	4,913
51,600	47,540
308,724	214,429
17,286	28,304
6,046,305	3,325,802
1,218,877	1,092,440
3,691,516	3,408,299
1,871,737	1,660,025
1,819,779	1,748,274
5,000	5,000
1,824,779	1,753,274
25,186	26,416
123,968	141,678
368,743	372,557
651,830	
1,169,727	540,651
\$10,259,688	\$6,712,167

\$ 421,169	\$ 180,275
1,054,167	874,024
1,475,336	1,054,299
62,862	48,000
533,725	258,725

3,420,107	3,411,107
1,804,380	1,844,880
1,615,727	1,566,227
6,572,038	3,784,916
8,187,765	5,351,143
\$10,259,688	\$6,712,167

To the Shareholders of
CAMFLO MINES LIMITED

We have examined the balance sheet of Camflo Mines Limited as at December 31, 1973 and the statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE GUNN & Co.
Chartered Accountants.

Toronto, Canada,
February 14, 1974.

Approved by the Board:

"A. W. STOLLERY", Director.

"GEO. T. SMITH", Director.

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1973

(with comparative figures for 1972)

	1973	1972
Bullion production	\$10,548,373	\$5,982,850
Operating expenses other than items set out below	2,942,669	2,386,114
Quebec mining tax	760,000	280,000
Administrative expenses	217,354	132,866
Outside exploration expenditures written off		54,274
	3,920,023	2,853,254
	6,628,350	3,129,596
Depreciation	223,297	381,050
Amortization of preproduction expenditures	17,710	35,419
Amortization of deferred development expenditures	52,678	93,139
	293,685	509,608
	6,334,665	2,619,988
Income from investments	183,011	69,389
Income before income taxes and extraordinary item	6,517,676	2,689,377
Income taxes (note 3)		
Current	1,750,000	750,000
Deferred (reduction)	275,000	(112,000)
	2,025,000	638,000
Income before extraordinary item	4,492,676	2,051,377
Reduction in allowance for decline in value of an investment		125,000
Net income for the year	\$4,492,676	\$2,176,377
Earnings per share		
Income before extraordinary item	\$ 1.31	\$.60
Net income for the year	1.31	.63

STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1973

(with comparative figures for 1972)

	1973	1972
Balance at beginning of year	\$ 3,784,916	\$2,290,760
Net income for the year	4,492,676	2,176,377
	8,277,592	4,467,137
Dividends paid	1,705,554	682,221
Balance at end of year	\$ 6,572,038	\$3,784,916

CAMFLO MINES LIMITED



STATEMENT OF SOURCE AND APPLICATION OF FUNDS YEAR ENDED DECEMBER 31, 1973

(with comparative figures for 1972)

	1973	1972
SOURCE OF FUNDS		
Operations		
Income before extraordinary item	\$4,492,676	\$2,051,377
Items not involving current funds		
Depreciation and amortization	293,685	509,608
Deferred income taxes (reduction)	275,000	(112,000)
Provision for termination of employment	14,862	48,000
Other	14,039	50,179
	5,090,262	2,547,164
Proceeds from sale of investments	1,322,264	42,705
Proceeds from issue of shares	49,500	
Receipts on mortgages receivable from employees	1,230	1,017
Proceeds from sale of fixed assets		3,000
	6,463,256	2,593,886
APPLICATION OF FUNDS		
Additions to fixed assets	299,371	270,658
Deferred development and exploration expenditures	48,864	139,645
Deferred outside exploration expenditures	651,830	
Dividends paid	1,705,554	682,221
Purchase of investments	1,458,171	433,455
	4,163,790	1,525,979
Increase in working capital	2,299,466	1,067,907
Working capital at beginning of year	2,271,503	1,203,596
Working capital at end of year	\$4,570,969	\$2,271,503



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1973

1. DEPRECIATION AND AMORTIZATION POLICY

The company provides for depreciation and amortization on a straight-line basis over the estimated remaining life of the mine as determined by ore reserves established from time to time.

Outside exploration expenditures are deferred unless the project is abandoned, in which case they are charged against income.

2. DEFERRED OUTSIDE EXPLORATION EXPENDITURES

The company is involved in the following exploration projects:

- (a) a drilling venture, pursuant to a farmout agreement with Voyageur Petroleum Limited, whereby the company earned a 20% working interest in approximately 120,000 acres located in east-central Alberta, by providing 40% of the drilling funds. The company's share of expenditures incurred to December 31, 1973 amounts to \$604,637.
- (b) an exploration, development and feasibility study of the Orofino Mines Limited gold property located in Horwood and Silk Townships, Sudbury Mining Division, Ontario. The company has the right to elect by June 30, 1974 to bring the property into commercial production on or before June 30, 1977 at a rate of not less than 500 tons per day. The company would provide all necessary funds and after repayment of same plus interest, any resulting profits would be apportioned as to two-thirds to Camflo and one-third to Orofino. Expenditures incurred to December 31, 1973 amount to \$28,443.
- (c) a geological survey of properties located in Victoria, Restigouche and Madawaska Counties, New Brunswick, under an agreement whereby, in return for providing one quarter of the exploration costs, the company acquires a 23.75% undivided interest in any mining claims, licences or leases acquired in the area of interest. The company's share of expenditures incurred to December 31, 1973 amounts to \$18,750.

Total expenditures to December 31, 1973 amount to \$651,830.

3. INCOME TAXES

The company charges earnings with income taxes currently payable and also with income taxes deferred by claiming depreciation and amortization for tax purposes differing from amounts provided in the accounts. The accumulated total of such income tax deferments is reflected in the balance sheet as "Deferred income taxes".

4. CAPITAL STOCK

In 1973, the company granted options to certain employees to purchase 28,000 shares of the capital stock of the company at the price of \$5.50 per share. The options are exercisable for a period of three years from the dates granted, at 9,000 shares for each of the first two years, and 10,000 shares for the last year, and are cumulative.

In December, 1973, options were exercised on 9,000 shares for a consideration of \$49,500, which amount was receivable at the year end.

5. CONTINGENT LIABILITY

A writ has been served on the company alleging certain wrongful acts and claiming damages of \$1,330,000. The company contends that such allegations are unfounded.

6. OTHER STATUTORY INFORMATION

Direct remuneration of directors and senior officers (as defined by The Business Corporations Act) amounted to \$142,658 (1972, \$96,395).



This picture was taken during the summer of 1973 and shows prefabricated sections being lifted into place for the new penthouse at the top of the headframe.

**NINE-YEAR
COMPARATIVE
SUMMARIES
OF
PRODUCTION
AND
FINANCIAL
HIGHLIGHTS**

FINANCIAL RESULTS

	1973
Gross Value of Bullion Production	\$10,548,373
Average Gold Price Received (per ounce)	\$ 107.39
Operating Profit	\$ 7,388,350
Mine Operating Costs	\$ 2,917,922
Depreciation and Amortization	\$ 293,685
Provision for Income Taxes (net)	\$ 2,025,000
Net Income	\$ 4,492,676
Net Income Per Share	\$ 1.31
Cash Flow From Operations	\$ 5,061,361
Cash Flow Per Share	\$ 1.48
Dividends Paid	\$ 1,705,554
Dividends Paid Per Share	\$ 0.50

FINANCIAL POSITION (at year end)

Working capital (deficiency)	\$ 4,570,969
Fixed Assets (net)	\$ 1,819,779
Other Assets and Deferred Charges	\$ 1,169,727
Total Assets	\$10,259,688
Shareholders' Equity	\$ 8,187,765
Shares Outstanding	3,420,107
Share Price High/Low	\$14.00/3.90

PRODUCTION HIGHLIGHTS

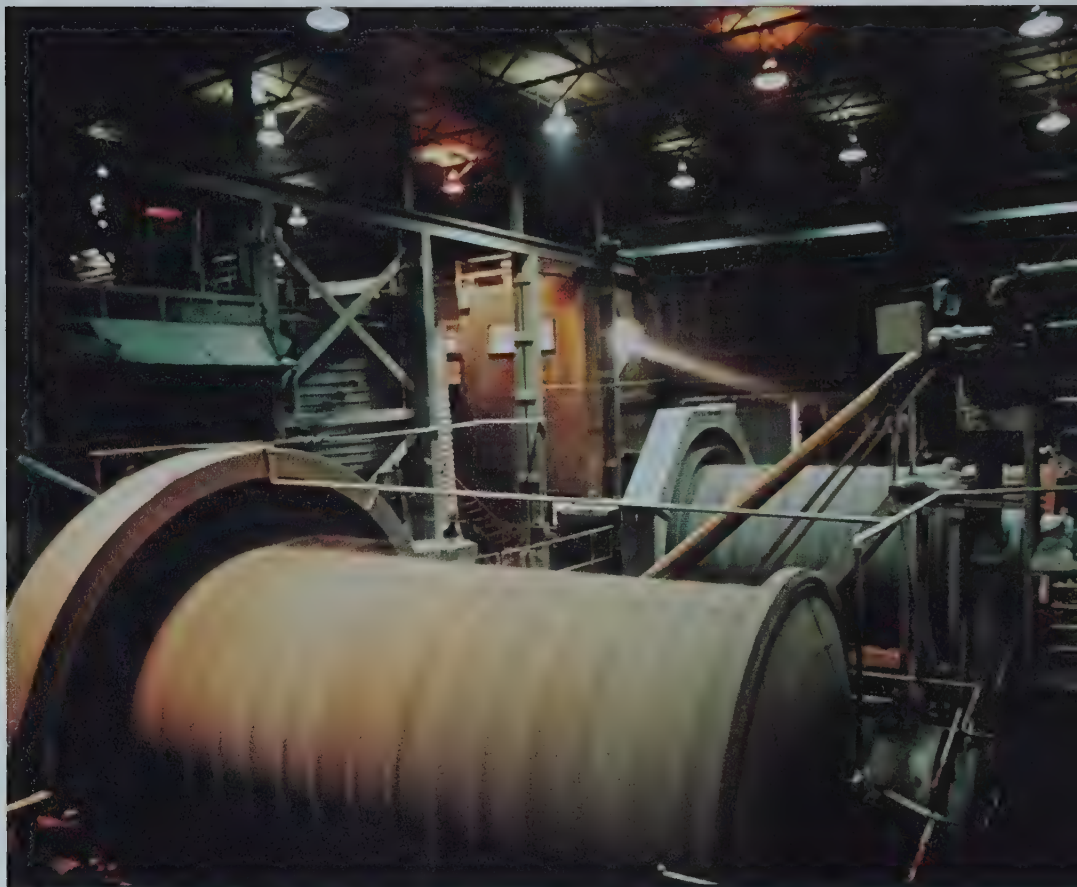
Tons of Ore Milled	389,622
Recovered Grade (oz./ton)	0.251
Ounces Gold Recovered	98,228
Ore Reserves (at year end)	2,631,350
Average Grade (oz./ton)	0.220
Mine Operating Costs — per Ton Milled	\$ 7.55
— per Ounce Recovered	\$ 29.71

NOTES During the period from the inception of production up to and including 1971, the Company received varying amounts of cost-aid under the Emergency Gold Mining Assistance Act. Cost-aid for those years was included in calculating the Operating Profit, Cash Flow from Operations and Net Income. The following are the yearly amounts received in this period from 1965 to 1971, respectively: \$127,379; \$43,590; \$5,650; \$40,000; \$90,000; \$367,000; and \$71,000.

CAMFLO MINES LIMITED



1972	1971	1970	1969	1968	1967	1966	(May-Dec.) 1965
\$5,982,850	\$3,771,978	\$3,331,112	\$3,729,869	\$3,787,957	\$3,666,217	\$2,880,699	\$1,358,576
\$ 59.77	\$ 41.19	\$ 36.64	\$ 43.32	\$ 41.35	\$ 37.82	\$ 37.55	\$ 37.67
\$3,409,596	\$1,671,680	\$1,419,246	\$1,391,531	\$1,484,963	\$1,475,276	\$1,185,341	\$ 426,815
\$2,386,114	\$2,060,232	\$2,138,824	\$2,228,540	\$2,191,941	\$2,092,612	\$1,665,144	\$1,090,288
\$ 509,608	\$ 480,921	\$ 616,011	\$ 525,803	\$ 439,785	\$ 379,241	\$ 348,953	\$ 207,456
\$ 638,000	\$ 315,000	\$ 64,725	—	—	—	—	—
\$2,051,377	\$ 800,759	\$ 668,510	\$ 786,516	\$ 933,678	\$ 980,035	\$ 686,704	\$ 176,359
\$ 0.60	\$ 0.23	\$ 0.20	\$ 0.23	\$ 0.27	\$ 0.29	\$ 0.20	\$ 0.05
\$2,448,985	\$1,587,680	\$1,349,246	\$1,311,531	\$1,373,463	\$1,359,276	\$1,035,657	\$ 634,271
\$ 0.72	\$ 0.47	\$ 0.40	\$ 0.39	\$ 0.40	\$ 0.40	\$ 0.31	\$ 0.19
\$ 682,221	\$ 341,111	\$ 341,111	\$ 341,061	\$ 511,216	\$ 681,221	—	—
\$ 0.20	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.15	\$ 0.20	—	—
\$2,271,503	\$1,203,596	\$ 684,962	(\$ 46,791)	(\$ 509,462)	\$ 13,663	(\$ 79,866)	\$ 128,997
\$1,748,274	\$1,860,481	\$2,161,101	\$2,406,686	\$2,211,066	\$1,164,876	\$ 820,808	\$ 738,679
\$ 540,651	\$ 584,855	\$ 530,539	\$ 785,431	\$1,044,037	\$1,137,340	\$1,273,322	\$1,631,874
\$6,712,167	\$4,400,303	\$3,766,657	\$3,919,395	\$4,122,074	\$2,791,658	\$2,688,236	\$3,121,276
\$5,351,143	\$3,856,987	\$3,522,339	\$3,194,940	\$2,840,841	\$2,411,379	\$2,149,647	\$1,667,780
3,411,107	3,411,107	3,411,107	3,411,107	3,408,107	3,406,107	3,396,607	3,377,777
\$5.45/2.39	\$3.90/2.22	\$3.60/2.05	\$7.75/2.85	\$6.75/3.65	\$4.15/2.25	\$4.50/3.05	\$4.05/2.40
380,682	377,774	374,580	386,449	362,734	366,419	265,950	152,457
0.263	0.243	0.243	0.223	0.253	0.264	0.289	0.236
100,101	91,684	90,913	86,096	91,608	96,855	76,719	36,063
2,247,000	1,946,460	2,174,000	2,109,000	1,715,303	2,078,037	2,040,665	1,444,000
0.231	0.245	0.241	0.224	0.249	0.250	0.253	0.258
\$ 6.27	\$ 5.45	\$ 5.71	\$ 5.77	\$ 6.04	\$ 5.71	\$ 6.26	\$ 7.15
\$ 23.84	\$ 22.50	\$ 23.53	\$ 25.88	\$ 23.93	\$ 21.62	\$ 21.57	\$ 30.01



ABOVE: Another view of the grinding section at the Camflo mill.

BELOW: An interesting view of the filtering section of the mill with additional light being provided by the setting sun.





AR51



CAMFLO MINES LIMITED

Semi-Annual Report
to
Shareholders

FOR THE SIX MONTH
PERIOD ENDED JUNE 30,
1973

CAMFLO MINES LIMITED

To the Shareholders:

Net earnings for the six months ended June 30th, 1973 amounted to \$2,031,534, a substantial increase over \$866,246 for the same period in 1972 and continue to reflect the increasingly higher price received for gold. Net income per share was 60 cents and cash flow per share was 69 cents compared with equivalent figures of 25 cents and 32 cents during the first six months of 1972.

During the 6 months ended June 30, 1973 190,210 tons of 0.25 ounces were milled as against 189,997 tons of 0.268 ounces during the same period of 1972. Bullion production was 47,571 ounces with a value of \$4,959,799 compared to 50,981 ounces in 1972 having a value of \$3,082,067. Operating expenses rose to an average of \$7.37 per ton, mainly due to a large increase in labour costs.

Work in the new diorite ore zone continues to give encouraging results and to date proven and indicated reserves are estimated at 434,000 tons of 0.16 ounces. Total proven and indicated reserves in the mine are at an all time record high and are equivalent to 6½ years operation at present production rates. The Company has decided to make application for the listing of its shares on the American Stock Exchange, and in this connection an independent estimate of its ore reserves has been made by Dr. G. C. McCartney, Consulting Geologist. Dr. McCartney has reported to the Company that combined tonnage of diorite and porphyry ore is 2,680,472 tons, with an average grade of 0.22 ounces per ton. This estimate agrees with the tonnage and grade of ore reserves made by the Company's mine staff.

The Company recently entered into a farmout agreement with Voyageur Petroleums Limited to participate in a 35 well

CAMFLO MIN

Statement

(Unaudited)

Tons of ore milled	
Bullion recovery (ounces)	
Gross value of production	
Operating expenses	
Quebec Mining Tax	
Administrative Expense	
Exploration	
Depreciation	
Amortization of preproduction	
Amortization of deferred development	
Income from investments	
Income before income taxes	
Income taxes	
Current	
Deferred	
Net Income for period	
Net Income per share	
Cash flow per share	

CAMFLO MIN

Statement

(Una

Tons of ore milled	.....
Bullion recovery (ounces)	.....
Gross value of production	.....
Operating expenses	.....
Quebec Mining Tax	.....
Administrative Expense	.....
Exploration	.....
Depreciation	.....
Amortization of preproduction	.....
Amortization of deferred development	.....
Income from investments	.....
Income before income taxes	.....
Income taxes	.....
Current	.....
Deferred	.....
Net Income for period	.....
Net Income per share	.....
Cash flow per share	.....

ES LIMITED

Income

d)

First Quarter 1973	Second Quarter 1973	Six Months June 30th 1973	Six Months June 30th 1972
94,258	95,952	190,210	189,997
26,293	21,278	47,571	50,981
\$2,208,612	\$2,751,187	✓ \$4,959,799	✓ \$3,082,067
650,311	756,818	1,407,129	1,168,527
100,000	250,000	350,000	105,000
22,168	50,838	73,006	73,441
—	5,058	5,058	23,859
772,479	1,062,714	1,835,193	1,370,827
1,436,133	1,688,473	3,124,606	1,711,240
79,351	47,649	127,000	157,325
8,855	2,945	11,800	17,710
25,553	6,647	32,200	36,875
113,759	57,241	171,000	211,910
1,322,374	1,631,232	2,953,606	1,499,330
23,396	4,532	27,928	16,916
1,345,770	1,635,764	2,981,534	1,516,246
400,000	450,000	850,000	622,000
(30,000)	130,000	100,000	28,000
370,000	580,000	950,000	650,000
\$ 975,770	\$1,055,764	\$2,031,534	\$ 866,246
29¢	31¢	60¢	25¢
31¢	38¢	69¢	32¢

CAMFLO MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(Unaudited)

for the Six Months ended June 30, 1973

with comparative figures for the six months ended June 30, 1972

	<u>1973</u>	<u>1972</u>
SOURCE OF FUNDS		
Operations		
Net income for period	\$2,031,534	\$ 866,246
Items not involving current funds		
Depreciation and amortization	171,000	211,910
Deferred income taxes	100,000	28,000
Other	41,675	(2,911)
	<u>2,344,209</u>	<u>1,103,245</u>
Proceeds from sale of investments	130,496	223,390
Receipts on mortgages receivable from employees	605	431
Total funds provided	<u>2,475,310</u>	<u>1,327,066</u>
APPLICATION OF FUNDS		
Additions to fixed assets	194,491	19,097
Deferred development and exploration expenditures	14,526	38,084
Dividends paid	682,222	341,111
Purchase of investments	966,008	417,539
Participation in gas exploration	160,300	—
Total funds used	<u>2,017,547</u>	<u>815,831</u>
Increase in working capital	457,763	511,235
Working capital at beginning of period	2,271,503	1,203,596
Working capital at end of period	<u><u>\$2,729,266</u></u>	<u><u>\$1,714,831</u></u>